



**DATE:** April 9, 2014

**TO:** Transit Task Force Members

**FROM:** Carlos de Leon *CDL*  
Deputy Director, Transportation

**SUBJECT: FY2015 Draft Transit Internal Savings and Revenue Opportunities**

At the next Transit Task Force meeting, staff will be providing information on a draft list of additional transit (Sun Tran/Sun Van/Sun Link) internal savings and revenue opportunities as part of the City's Fiscal Year (FY) 2015 budget process.

Staff Recommendation – Staff is recommending that \$3.3 million in additional internal savings/revenue be applied toward the City Manager's target budget goal of \$6 million reduction in the General Fund Investment for Mass Transit Fund for FY2015.

Background – At the May 7, 2013 Mayor and Council Study Session, Mayor and Council directed the City Manager and others to work with transit administration and present to Mayor and Council ways in which transit administration has reduced their internal operating costs in previous years and to find ways to reduce FY2015 budget by \$2 million without adversely affecting routes or raising fares.

At the July 9, 2013 Mayor and Council Study Session, staff provided information to Mayor and Council on internal cost savings efforts implemented by Sun Tran/Sun Van since 2008 and presented potential internal savings for FY2014. In addition, staff committed that potential internal savings for FY2015 would be developed and presented as part of the City's FY2015 budget process.

At the February 19, 2014 Mayor and Council Study Session, staff recommended a target budget of \$40.7 million for the General Fund investment in the Mass Transit Fund. Based on the target budget and forecasted budget, an estimate of approximately \$6 million in additional revenue and/or reduced costs is needed to achieve the target budget goal.

Present Consideration – A summary of internal cost savings, which have been implemented by Sun Tran/Sun Van since 2008, is provided in Attachment A. The estimated savings for FY2014 is approximately \$2 million. A draft proposal for additional internal cost savings and revenue for FY2015 is provided in Attachment B.

Financial Considerations – Management at Sun Tran, Sun Van and Sun Link clearly understand the economic concerns facing the City of Tucson and are committed to operate the systems in the most cost-effective manner possible. In response to a directive from Mayor and Council to

find \$2 million in future savings without cutting service or raising fares, the following table summarizes potential savings for FY2015:

SAVINGS PLAN SUMMARY		FY 2015
Estimated Cost Savings	Sun Tran and Sun Van Internal Savings	\$1,000,000
Estimated Additional Revenue	RTA Streetcar O & M (\$0.8 M), Revised Sun Link Fare Revenue Forecast (\$0.5 M), Streetcar Advertising Sales (\$0.1 M), FTA Preventative Funds (\$0.6 M), Reduced RTA IGA Funds (-\$0.16 M), Sun Van DDD/DES reimbursement (\$0.25 M), FTA 5310 Grant (\$0.25 M)	\$2,340,000
Total		\$3,340,000

Based on the above estimated savings, staff is recommending that \$3.3 million be applied toward the \$6 million target budget reduction for FY2015. This would result in \$2.7 million remaining in additional costs/revenue to achieve the target reduction.

Staff is anticipating presenting this information and recommendation at the April 23, 2014 Mayor and Council Study Session. Staff is expecting to return to Mayor and Council on May 6 to provide information on the Title VI service and fare equity analysis for proposed FY2015 transit changes and on May 20 to discuss final recommendations for FY2015 bus service and fares changes. The anticipated savings and additional revenue from these changes could also be applied toward the remaining \$2.7 million in target budget reduction.

In addition to the above internal savings and additional revenue, staff is continuing to work on items which could provide additional potential savings in FY2015 or FY2016. Sun Van staff has been researching additional revenue options possibly available to para-transit operations. Although it appears that AHCCCS and Medicaid reimbursement opportunities maybe available, staff is not able to apply for reimbursement under the AHCCCS until Sun Van's application for DES Qualified Vendor application is approved. Medicaid reimbursement requires further research as it appears that an organization may not be able to receive Medicaid reimbursement if already receiving reimbursement through DES and/or the AHCCCS systems. Staff is also working with a consultant, who will provide a valuation and marketing program for the potential naming rights/corporate sponsorship for the Sun Link Modern Streetcar. In addition, staff will be working to evaluate the longer term recommendations provided by the Transit Peer Review Team.

Please contact me at 791-4371 if you have any questions about the above item.

cc: Daryl W. Cole, Transportation Director  
Albert Elias, Assistant City Manager

Attachments: A. Summary of Sun Tran/Sun Van Internal Savings Since 2008  
B. Additional FY2015 Transit Internal Savings and Revenue



## Attachment A, Summary of Sun Tran/Sun Van Internal Savings Since 2008

Management at Sun Tran and Sun Van clearly understand the economic concerns facing the City of Tucson. We are committed to operate the systems in the most cost-effective manner possible. Below are major actions taken by PTM/Veolia to achieve significant cost savings and increased revenues:

Agency (Veolia, Sun Tran or Sun Van)	Fiscal Year	Description	Savings
Sun Tran & Sun Van	2008	Reduced administrative health and welfare benefits	More than \$226,000 since FY 2008
Sun Van	2008	Implemented new Sun Van fare system	\$134,000 (over two years)
Veolia	2010	Assisted TDOT with securing more than \$10 Million in federal grants to replace 23 buses and upgrades to the South Park CNG fueling facility	\$10 Million
Sun Tran & Sun Van	2011	Laid off 15 administrative employees	\$617,370 annually
Veolia		Froze compensation on PTM/Veolia contract for six years	\$96,000 annually
Sun Tran	2012	Assumed operations of the Special Services Office from TDOT	\$78,000 annually
Sun Van	2012	Restructured Sun Van driver shifts	\$232,700 annually
Sun Tran & Sun Van	2001 - 2013	Matched the City's wage freezes and increases	
Sun Tran	2013	Decreased Sun Tran parts cost per mile	\$193,000
Sun Tran	2014	Decreased Sun Tran parts cost	\$114,880
Sun Tran		Negotiated for free bus component repairs	\$150,000 annually
Sun Tran	2013-2015	Recaptured labor expenses for marketing and customer service of Sun Shuttle services via IGA with the RTA	Nearly \$150,000

Attachment A, Summary of Sun Tran/Sun Van Internal Savings Since 2008

Agency (Veolia, Sun Tran or Sun Van)	Fiscal Year	Description	Savings
Veolia	2014	Utilizing corporate resources, performed Comprehensive Operating Analysis as a value-added service	\$300,000 - \$400,000
Sun Tran	2014	Transit Advertising. FY 2014 contracted revenue was 86% greater compared to FY 2013 contracted revenue.	\$147,000
Sun Tran	2014	Restructured Janitorial and Security Contracts	\$136,770
Sun Tran & Sun Van	2014	Insurance premiums reductions in both liability insurance and workers' compensation	\$66,470
Sun Tran & Sun Van	2014	Administrative Vacancies	\$346,560
Sun Van	2014	Operator wages and fringe benefits due to savings for anticipated medical insurance costs due to healthcare act (PT vs FT).	\$240,000
Sun Van	2014	Operator and Reservations overtime due and to updated scheduling process and monitoring and change in staffing levels.	\$328,000
Sun Tran and Veolia for Sun Link	2014	Sun Tran staff have assisted with Sun Link startup in the areas of Safety & Security, Information Technology, and Streetcar procurement	\$300,000



## Attachment B, Additional FY2015 Transit Internal Savings and Revenue

Additional FY2015 Internal Savings		
Service	Description	Est. Savings
Sun Tran	Reduced cost of parts due to purchase off Veolia Corporation contracts, reduced overtime, and savings in materials and supplies.	\$700,000
Sun Van	Reduced liability insurance costs, fuel savings and savings in materials and supplies	\$300,000
Total		\$1,000,000

Additional FY2015 Revenue		
Service	Description	Est. Savings
Sun Link	A request has been made to the Regional Public Transportation Authority for \$2 million in RTA funding of the Sun Link operations for FY2015. This request is an increase of \$800,000 from the current revenue forecast of \$1.2 million.	\$800,000
Sun Link	Increased fare revenue of \$500,000 resulting from UA promotion of UPass program. Total fare revenue forecast for Sun Link is \$1.2 million.	\$500,000
Sun Link	Advertising revenue for the Sun Link streetcar vehicles starting in August 2014.	\$100,000
Sun Tran	Increase in FTA preventative maintenance funds	\$600,000
Sun Tran	Decrease in RTA IGA revenue due to additional FTA preventative maintenance funds	(\$160,000)
Sun Van	The application for State DDD/DES reimbursement was submitted on February 18, 2014. The estimated reimbursement for FY2015 has been reduced to \$250,000 due to the longer than anticipated application and review period.	\$250,000
Sun Van	The City applied for FTA 5310 Grant to offset costs for optional ADA service area and has been notified that it will receive the grant.	\$250,000
Total		\$2,340,000

	Total Est. Internal Savings and Revenue	\$3,340,000
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